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UNCLAS ABU DHABI 001199

SIPDIS

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SUBJECT: ABU DHABI OVERHAULS TRANSPORTATION SECTOR

1. (U) The Abu Dhabi Government Restructuring Committee recently announced the establishment of an Abu Dhabi Department of Transport (DOT), headed by Khalfan Ghaith Al Muhaibi. Sheikh Mohammad bin Zayed Al Nahyan, Abu Dhabi Crown Prince and Chairman of the Abu Dhabi Executive Council chairs the restructuring committee, which was formed in February 2005 to lead government changes. Law Number 4 for 2006 establishes the DOT to regulate civil aviation and the sea port sectors. The consolidation of the Department of Civil Aviation and the Sea Ports Authority under the newly formed DOT will enhance integration across transportation sectors and improve internal efficiency.

2. (U) Although the DOT has regulatory authority over the Abu Dhabi seaports and airports, two new corporations have been created to handle the day to day operations of these sectors. Laws Five and Six for 2006 create the Abu Dhabi Ports Company (ADPC) and the Abu Dhabi Airports Company (ADAC), respectively. The two corporations will handle day to day operations at Abu Dhabi seaports and airports. The creation of separate entities to run the sea port and airport operations will allow the Abu Dhabi government to focus on sector planning and regulation while moving in the direction of privatization. This change may pave the way for Abu Dhabi to award seaport and airport contracts to private companies on a build, own, operate and transfer (BOOT) basis.

3. (U) The ADPC will manage and develop all seaports in the Emirate of Abu Dhabi. It will supervise services handled by private companies such as shipping, unloading and providing supplies to ships and warehouses. The ADPC will also impose and collect fees on services from beneficiaries. The company will be exempted from all local taxes and fees on its imported materials, equipment, machineries and spare parts. It will also establish and manage free zones on ADPC's land and impose and collect taxes from companies in these free zones. A Board of Directors will be appointed by the Abu Dhabi Executive Council. The board will be able to contract with foreign and local companies, both public and private, for business related to the operating, managing and maintaining the Abu Dhabi seaports.

4. (SBU) Abu Dhabi is planning on developing a new port and industrial area, which will be called the Khalifa Port and Industrial Zone. Mubadala, an Abu Dhabi governmental investment business operating as a public joint stock company, is developing this project. The new port will include a container handling terminal and piers for receiving raw and bulk cargo as well as large ships. ADPC may consider a BOOT option for this development, which will allow the private sector to take part in owning and operating critical port infrastructure.

5. (U) Abu Dhabi Airports Company will operate and maintain airport facilities, communications, emergency and rescue equipment, runways, aircraft hangars, ramps, radios, meteorology and control towers. It will also plan the development of aviation infrastructure in Abu Dhabi, namely a new airport terminal, runway, and control tower, which are currently under design. The DOT will regulate air space, landing and departures, air transport rules and baggage.

6. (U) Both ADPC and ADAC will be public joint stock companies with paid up capitals of Dhs. 500 million (USD \$136 million), divided into 50 million shares, each with a nominal value of Dhs. 10 (USD \$2.72).  
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